

## Message Text

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FM SECSTATE WASHDC

TO AMCONSUL RIO DE JANEIRO

INFO AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: BEXP, BR

SUBJECT: MAJOR PROJECT: RIO METRO

REF: RIO'S 3518, PREVIOUS

1. MAJOR EXPORT PROJECTS DIV. PASSED INFORMATION AND SPECS ON TRANSIT CAR TENDER TO INTERESTED COMPANIES. TWO FIRMS, PULLMAN AND ROHR, HAVE CONSIDERED BIDDING BUT HAVE DECLINED TO DO SO.

2. THERE ARE SEVERAL REASONS FOR THIS DECISION. BOTH FIRMS ARE ALREADY MANUFACTURING TRANSIT CARS THAT ARE VERY SIMILAR TO RIO SPECS BUT NOT IDENTICAL. NEITHER COMPANY WISHES UNDERTAKE EXPENSIVE PROCESS OF DEVELOPING NEW CAR SPECIFICALLY FOR RIO. THIS IS DUE NOT ONLY TO PURE COST CONSIDERATIONS BUT ALSO TO COMPANIES' BELIEF THAT MAFERSA (BUDD LICENSEE) WILL HAVE INSIDE TRACK ON JOB--ESPECIALLY VIEW REQUIREMENT FOR 55 PERCENT BRAZILIAN CONTENT AND SUCCESS IN OBTAINING SAO PAULO ORDER. ROHR EXECUTIVE STATED THAT TRANSIT CAR DESIGN IS AS TECHNICALLY

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DEMANDING AS AIRCRAFT MANUFACTURE AND THAT HIS COMPANY WOULD ONLY OFFER TO SELL THREE MODELS PRESENTLY IN

PRODUCTION (I.E. CARS FOR BART, WASHINGTON METRO, AND BRUSSELS SYSTEM). PULLMAN IS PRESENTLY MANUFACTURING CARS FOR NYTA AND STATES THAT THEY ARE ALMOST IDENTICAL IN DESIGN TO RIO REQUIREMENTS (SUBSTANTIAL DIFFERENCE SEEMS TO BE ADDITIONAL FOUR INCHES IN LENGTH FOR NEW YORK CARS).

3. BOTH COMPANIES BELIEVE THAT RIO METRO WILL NOT RECEIVE LARGE NUMBER OF BIDS AND HAVE SLIGHT HOPE THAT IF RESPONSE IS THIN, RIO WILL CONSIDER THE CARS THAT ARE ALREADY IN PRODUCTION AND CAN BE OFFERED AT COMPETITIVE PRICES. THIS IS PARTICULARLY TRUE OF ROHR, WHICH HAS CARRIED ON DISCUSSIONS WITH RIO METRO AND FNV FOR PAST SEVERAL YEARS AND BELIEVES THAT PRICE FACTOR MAY CAUSE METRO OFFICIALS TO CONSIDER IMPORT OF ROHR EQUIPMENT.

4. MEPD NOT IN POSITION TO ASSESS CHANCE FOR OPENING OF BIDDING TO DIFFERENT SPECS BUT ASSUME THAT IT UNLIKELY AFTER RIO METRO HAS GONE TO EXPENSE OF HAVING CARS DESIGNED BY SOFRETU AND CLAUDER. WE WILL INFORM CONGEN OF ANY FURTHER DEVELOPMENTS IN DOMESTIC INDUSTRY AND WOULD APPRECIATE REPORTS ON RESPONSE TO RIO METRO TENDER WHEN INFORMATION BECOMES AVAILABLE. KISSINGER

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